



General Assembly

February Session, 2014

***Raised Bill No. 277***

LCO No. 1477



Referred to Committee on INSURANCE AND REAL ESTATE

Introduced by:  
(INS)

***AN ACT CONCERNING THE ISSUANCE OF CLOSING PROTECTION LETTERS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-404 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2014*):

3 (a) No person subject to sections 38a-400 to 38a-425, inclusive, shall  
4 engage in activities prohibited to corporations under section 38a-45,  
5 except that such persons may guarantee their obligations and the  
6 obligations of their agents and their affiliates in the normal course of  
7 business by issuing closing protection letters.

8 (b) A closing protection letter issued by a title insurer shall be  
9 required for any loan insurance policy issued that insures a lender's  
10 interest in a residential building containing four units or less.

11 (c) Nothing in this section shall prohibit a title insurer from issuing a  
12 closing protection letter for any loan insurance policy issued that  
13 insures a lender's interest in any other type of residential or

14 commercial real property.

15 (d) A title insurer may impose a fee, approved by the commissioner,  
16 for the issuance of a closing protection letter.

17 Sec. 2. Section 38a-415 of the general statutes is repealed and the  
18 following is substituted in lieu thereof (*Effective October 1, 2014*):

19 (a) Nothing in sections 38a-400 to 38a-425, inclusive, shall be  
20 construed as prohibiting the division of premiums and charges  
21 between or among a title insurer and its title agent, two or more title  
22 insurers and their title agents, two or more title insurers, one or more  
23 title insurers and one or more title agents, or two or more title agents,  
24 provided such division of premiums and charges does not constitute  
25 (1) an unlawful rebate or inducement under the provisions of said  
26 sections or (2) payment of a forwarding fee or finder's fee.

27 (b) Notwithstanding subsection (a) of this section, (1) for any title  
28 insurance policy issued after October 1, 1990, no title insurer shall pay  
29 to any title insurance agent or permit such agent to retain any amount  
30 exceeding sixty per cent of the gross premium for any policy of the title  
31 insurer issued by such agent. The maximum commission to a title  
32 insurance agent shall not be increased directly or indirectly by an  
33 insurer providing anything of value, including services, to an agent for  
34 less than the actual cost or fair market value, and (2) for any closing  
35 protection letter issued on or after October 1, 2014, for which a title  
36 insurer receives a fee pursuant to subsection (d) of section 38a-404, as  
37 amended by this act, no title insurer shall pay to any title insurance  
38 agent or permit such agent to retain any amount of such fee.

39 Sec. 3. Section 38a-421 of the general statutes is repealed and the  
40 following is substituted in lieu thereof (*Effective October 1, 2014*):

41 (a) A title insurer shall file with the commissioner all forms it  
42 proposes to use in this state, including (1) title insurance policies,  
43 including standard form endorsements, [and] (2) commitments,

44 binders or any other reports issued prior to the issuance of a title  
45 insurance policy, and (3) closing protection letters. If the commissioner  
46 finds in [his] the commissioner's review of a filing that it does not  
47 violate section 38a-422, [he] the commissioner shall approve the form  
48 within thirty days of filing. Prior to such approval, the commissioner  
49 may conduct public hearings with respect to the filing. Filings that the  
50 commissioner has failed to approve or disapprove within thirty days  
51 of filing shall be deemed approved. Upon notice to the insurer, the  
52 period for review of a form filing may be extended for an additional  
53 thirty days.

54 (b) A title insurer need not file reinsurance contracts and  
55 agreements.

56 (c) No title insurer may issue, directly or through a title agent, any  
57 policy after October 1, 1990, unless the policy form has been approved  
58 pursuant to this section. The commissioner may provide by regulation  
59 for interim use of forms in effect prior to October 1, 1990.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2014</i>	38a-404
Sec. 2	<i>October 1, 2014</i>	38a-415
Sec. 3	<i>October 1, 2014</i>	38a-421

***Statement of Purpose:***

To regulate closing protection letters.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*